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WASHINGTON -- It's been stripped of a \$39.4 million contract with the Small Business Administration, and its name was invoked yesterday at a congressional hearing as an example of massive fraud.

But Teamus Construction Co. in Carnegie maintains that its contract under an SBA program to benefit companies owned by disabled veterans was legitimate, and it's applying for reinstatement so it can earn more government-funded work.

A Government Accountability Office review of the Service-Disabled Veteran-Owned Small Business Program, released last month, listed 10 examples of alleged fraud -- including a Teamus contract to build a rehab facility at the Butler VA Hospital.

Testifying before a House of Representatives subcommittee with oversight of the Department of Veterans Affairs, Gregory Kutz, of the GAO, referred to Teamus as a "shell company." That conclusion was reached by a GAO investigator, Gary Bianchi, who visited Teamus in May and noted its coziness with James Construction.

The two companies shared a building, where Teamus paid rent to James. Brothers Jamie and Shawn Stevenson were employees of Teamus, but also sons of the owners of James. Also, Special Agent Bianchi said that when he tried to speak to the principal owner of Teamus -- Charles Martino, a disabled veteran -- he was stonewalled by Jamie Stevenson, and "it got kinda heated."

Joseph Hornyak, an attorney for Teamus, said the company was not a front for James, and Mr. Martino was caught off-guard by Special Agent Bianchi and wanted an attorney present for an interview.

The GAO investigation came after the SBA had found Teamus ineligible for the bid, determining that Mr. Martino did not run the day-to-day operations of the company -- which is required by the program. SBA cited the fact that Mr. Martino owns several restaurants around Franklin, Venango County, as evidence that he couldn't be intimately involved in the affairs of a

construction company 80 miles away.

Mr. Hornyak said Mr. Martino runs Teamus closely, as he has a home nearby, and simply did not understand the complex rules of the bidding process. The company has severed all ties with the Stevenson family, Mr. Hornyak said, and is now following all the rules to seek certification.

James Construction also denied any wrongdoing.

"There was a protest that tried to link James Construction to Teamus -- there is no link," said Shawn Stevenson, who now works for James. "What's fraudulent is the protest itself and how that process went down."

The protest was filed by R.A. Glancy & Sons, of Hampton, which lost the bid to Teamus. Federal investigators eventually determined the firm should have been ineligible.

"The problem is anybody can claim they are a disabled contractor and until they're challenged, the VA just moves right ahead with it," Glancy & Sons owner Bob Glancy said. "There's no checks or anything."

Mr. Kutz, of the GAO, said the SBA and the VA need to vet bidders before they receive the contracts and make sure they can't continue to receive contracts after they've been exposed as fraudulent, which did not happen in cases he cited.

"This is like I've got free rein to rob a bank, and there's no penalty for it," Rep. David Roe, R-Tenn., said at the hearing.

The Service-Disabled Veteran-Owned Small Business Program was created in 2003 as part of the Veterans Benefits Act. The program gave out \$6.5 billion in contracts in 2008. Since 2005, the SBA has found 45 firms ineligible for the contracts after their bids were contested. Among the 10 examples cited yesterday, one company had subcontracted all of its work to a

conglomerate based in Denmark, Mr. Kutz said.

Mr. Roe, Rep. Steve Buyer, R-Ind., and subcommittee Chair Rep. Harry Mitchell, D-Ariz., had harsh questions for VA officials at the hearing. Glenn Haggstrom, of the VA, promised that the agency would investigate the 10 examples and said companies in the program must be certified by 2012.

"Did it ever occur to you that this should have been in place before, or does someone have to come in and look over your shoulder?" Mr. Mitchell said.

Rep. Jason Altmire, D-McCandless, who chairs a subcommittee that oversees the SBA, said he's examining legislative action to reform the process.

Mike Cherock has first-hand experience. The owner of Powerhouse Design Architects and Engineers Ltd., in Station Square, has lost out on bids to companies that were later disqualified.

A Navy veteran whose left hand was paralyzed in a submarine accident, Mr. Cherock said he is reluctant to burn bridges by challenging companies he thinks are frauds, but in the absence of government intervention, he does so anyway.

"On a personal side, as a vet, it pisses me off," he said.

"The only people who can take on vets who are committing fraud are other vets, so when I see it I go right at 'em. My military record speaks for itself."